Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 854

Introduced by DIWA Party-list Representative Hon. Michael Edgar Y. Aglipay

EXPLANATORY NOTE

Coconut (Cocos Nucifera L.), popularly known as the “TREE OF LIFE”, is among the top ten export produce of the country. “About one third of the country’s arable agricultural land or 3.26 million hectares is planted to coconut representing sixty four (68) out of total seventy nine (79) provinces, and 1,195 out of the 1,554 municipalities in the country.”

Despite this, the coconut industry is confronted by various challenges including low productivity, limited intercropping, lack of information on appropriate technologies and high poverty incidence among the ranks of our coconut farmers.

The coconut industry has been at the forefront of debate and controversy for almost four decades now. The Coco Levy Fund that was supposed to be utilized for the development of the coconut industry and a share of the investments remain an unresolved issue to this date with coconut farmers still fighting for justice against the forced taxation and their share of the Coco Levy Funds’ investments.

This bill, a re-filing of House Bill No. 4803 of DIWA Party-list filed during the 17th Congress, aims to create a permanent trust for the Coco Levy Fund can to be utilized for the development of the coconut industry to improve productivity and diversification of coconut industry, which can effectively translate to a better quality of life of our coconut farmers.

MICHAEL EDGAR Y. AGLIPAY
Representative, DIWA Party-list

1 http://businessdiary.com.ph/3062/coconut-production-guide/#iixz4RNRqNM7R
AN ACT
DECLARING THE COCONUT LEVY ASSETS AS A TRUST FUND, PROVIDING FOR ITS MANAGEMENT AND UTILIZATION, AUTHORIZING THE PRIVATIZATION AND MANAGEMENT OFFICE TO DISPOSE THE COCONUT LEVY ASSETS, AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. - This Act shall be known as the "Coconut Farmers and Industry Development Act."

SEC. 2. Declaration of Policy. It is hereby declared the policy of the State to consolidate the benefits due to coconut farmers, especially the poor and marginalized, under various statutes and to expedite the delivery thereof in order to attain a balanced, equitable, integrated and sustainable growth and development of the coconut industry.

I
Definition of Terms

SEC. 3. Definition of Terms. The following terms shall mean:

(a) CNF refers to the Coconut Industry Investment Fund created by virtue of Presidential Decree 1468;
(b) **CNF Oil Mills Group** refers to the CNF companies, namely, Southern Luzon Coconut Oil Mills; Cagayan de Oro Oil Co. Inc.; Eligan Coconut Industries. Inc.; San Pablo Manufacturing Corp.; Granexport Manufacturing Corp.; and Legaspi Oil Co. Inc.;

(c) **CNF Holding Companies** refer to the fourteen (14) holding companies; namely: Anglo Ventures Corporation; ACS Investors, Inc.; Arc Investors, Inc.; AP Holdings, Inc.; Fernandez Holdings, Inc.; First Meridian Development, Inc.; Randy Allied Ventures, Inc; Rock Steel Resources, Inc.; Roxas Shares, Inc.; San Miguel Corp., Inc.; Soriano Shares. Inc.; Te Deum Resources, Inc.; Toda Holdings, Inc.; and Valhalla Properties Limited. Inc.;

(d) **CNF SMC Block Shares** refer to the 33,133,266 shares of stock in San Miguel Corporation (SMC), sequestered by the PCGG in April 1986 and representing 31% of the total outstanding capital stock of SMC;

(e) **Converted SMC 1 Preferred Shares** refer to that portion of the CNF SMC Block Shares covering 753,848,312 preferred shares of stock in SMC and representing 24% of the outstanding capital stock of SMC;

(f) **Coconut Levy Assets** refer to any and all kinds of property, whether real or personal, tangible or intangible, wherever situated, which have been acquired through the Coconut Levy Funds as defined in this Section, including those assets that may be recovered in favor of the government, as well as the fruits, or income therefrom, including those acquired in exchange or substitution thereof. This shall include, among others, the following:

i. The 72.2% shares of United Coconut Planters Bank's (UCPB's) outstanding capital stock;

ii. The CNF Oil Mills Group;

iii. The CNF Holding Companies; and

iv. The CNF SMC Block Shares;

(g) **Coconut Levy Funds** shall refer to various funds generated from levies, taxes, charges, and other fees exacted or imposed pursuant to or in connection with the sale of *copra rececada* or its equivalent in other coconut products, and collected for the most part from coconut farmers, planters, millers, refiners, processors, exporters, desiccators and other end-users of *copra rececada* or its equivalent in other coconut products. Specifically, the term shall refer to any or all of the following:

i. The Coconut Investment Fund created under Republic Act No. 6260;

ii. The Coconut Consumers Stabilization Fund, later renamed as the Coconut Industry Stabilization Fund, created under Presidential Decree No. 276;

iii. The Coconut Industry Development Fund created under Presidential Decree No. 582;

iv. The Coconut Industry Investment Fund created under Presidential Decree No. 1468; and

v. The Coconut Reserve Fund under Presidential Decree No. 1468 and Presidential Decree No. 1842.
(h) Committee refers to the Coconut Farmers and Industry Trust Fund Committee created under Section 11 of this Act;

(i) PMO refers to the Privatization and Management Office organized under Article III of Executive Order No. 323 (S. 2001);

(j) PCA refers to the Philippine Coconut Authority, created under Presidential Decree 232 (S. 1973) as amended by Presidential Decree 1468 (S. 1978);

(k) PCGG refers to the Presidential Commission on Good Government, created under Executive Order No.1 (8. 1986);

(l) Plan refers to the Coconut Farmers and Industry Development Plan, to be prepared under Section 17 of this Act;

(m) President refers to the President of the Republic of the Philippines;

(n) Trust Fund refers to the Coconut Farmers and Industry Trust Fund declared under Section 6 of this Act;

(o) Trust Income refers to the income, interest earnings, and other monetary benefits, realized by and accruing to the Trust Fund or any portion thereof; and

(p) Trust Principal refers to initial Trust Principal composed of the proceeds from the redemption of the Converted SMC 1 Preferred Shares, dividends declared, paid, or issued on the Converted SMC 1 Preferred Shares, and all income or interest derived therefrom as of the effectivity of this Act; and any other cash Coconut Levy Asset deposited in the Bureau of Treasury and UCPB as administrator of the CNF; (ii) any and all proceeds of privatization of the Coconut Levy Assets remitted thereto by the Privatization and Management Office, and (iii) proceeds of privatization of any or all properties or assets conveyed by any person, group or entity to the Committee, from time to time, as provided in Section 8 hereof.

II
Audit and Reconveyance of Coconut Levy Assets

SEC. 4. Audit and Inventory of Coconut Levy Assets. Upon the effectivity of this Act, the Commission on Audit (COA), in coordination with the PCA and the PCGG, shall conduct a complete accounting and inventory of the Coconut Levy Assets. The audit shall determine and ascertain the amount, value, description and nature of such funds, properties, assets, records, choses in action, and other rights, claims, or causes of action pertaining thereto. Likewise, the COA shall conduct an audit of all investments, disbursements or expenditures arising from Coconut Levy Funds.

Within one hundred twenty (120) days from the effectivity of this Act, the COA shall submit to the Committee its audit report, together with a complete list of Coconut Levy Assets and their valuation, and the empirical basis and the methodologies employed for the said valuation.
The Committee shall, within fifteen (15) days from its receipt of the audit report, publish the same in at least two (2) newspapers of national circulation.

Nothing herein shall be construed as preventing the PMO from procuring a third party appraisal of any of the Coconut Levy Assets prior to or in the course of preparing the privatization or disposition plans for the said assets.

SEC. 5. Reconveyance of Coconut Levy Assets. Immediately upon the effectivity of this Act, the PCGG, the government representatives to the boards of sequestered/surrendered corporations, and any government agency or person having any Coconut Levy Asset in its administration, authority, custody or control, shall perform or cause the performance of the following:

(1) reconvey title to the Republic of the Philippines over the Coconut Levy Assets;

(2) deliver all stock certificates and other evidence of ownership to the Bureau of Treasury for safekeeping; and

(3) deposit all cash Coconut Levy Assets in the Trust Fund.

III
Coconut Farmers and Industry Trust Fund

SEC. 6. The Coconut Farmers and Industry Trust Fund. The Coconut Levy Assets are hereby declared a trust fund to be known as the "Coconut Farmers and Industry Trust Fund," herein referred to as the "Trust Fund," which shall be capitalized, managed, utilized and accounted for in the manner provided in this Act.

SEC. 7. Purpose of the Trust Fund. The Trust Fund shall be used exclusively for the development of the coconut industry for the ultimate benefit of coconut farmers and farm workers.

SEC. 8. Capitalization of the Trust Fund. The proceeds from the redemption of the Converted SMC I Preferred Shares, dividends declared, paid, or, issued on the Converted SMC I Preferred Shares, and all income or interest derived therefrom as of the effectivity of this Act; and any other cash Coconut Levy Asset deposited in the Bureau of Treasury and UCPB as administrator of the Trust Fund shall form part of the initial capital of the Trust Fund. For this purpose, any provision of law to the contrary notwithstanding, the BTr and UCPB shall directly release any and all monies to the Trust Fund.

The Trust Fund shall thereafter be augmented with all proceeds of privatization/disposition of the Coconut Levy Assets remitted directly thereto by the PMO in accordance with this Act, and any and all forms of income, interests, earnings, yields, or any monetary benefit derived therefrom prior to the privatization/disposition of these Coconut Levy Assets.

Nothing in this Act shall be understood to prevent or prohibit any person, group or entity from conveying to the Committee other properties and/or additional assets either
for the use of the coconut industry, or for purposes of privatization, in which case, the proceeds of such privatization shall form part of the Trust Fund.

No portion of the Trust Fund shall accrue to the general fund of the National Government.

SEC. 9. Management and Utilization of the Trust Fund and Trust income. The Trust Principal shall be preserved and maintained at all times and, for this purpose, shall be invested only in Philippine government securities. Only the Trust Income shall be used for the implementation of the Plan and for the payment of expenses allowed under this Act: Provided, That, for purposes of the initial implementation of the Plan and its programs and projects, and to fund the allowable expenses under this Act, pending the accrual of or availability of the Trust Income, the Committee is hereby authorized to use a portion of the Trust Principal which shall in no case exceed five percent (5%) of the amount constituting the initial capital of the Trust Fund.

For the initial year, the amount of Fifty Million Pesos (PhP50,000,000.00), to cover expenses of the Committee in connection with the discharge of its responsibilities, and expenses for the conduct of an audit and inventory of Coconut Levy Assets, and formulation of the Plan, is hereby authorized to be charged against the five percent (5%) portion of the initial capital of the Trust Principal permitted to be used. For the succeeding years, not more than three percent (3%) of the Trust Income accruing during the immediately preceding year shall be used to cover for annual expenses of the Committee. If the expenses in any year are less than the maximum amount permissible, the difference shall not be availed of as additional expenses in the following years.

To fund the expenses of the PMO for the first year in the discharge of its functions for the privatization or disposition of the Coconut Levy Assets, the Committee is hereby authorized to approve advances and/or reimbursements to the PMO in the amount of not more than Fifty Million Pesos (PhP50,000,000.00), which shall likewise be charged against the five percent (5%) portion of the initial capital of the Trust Fund.

Temporary investment of the Trust Principal shall not be construed as disbursement of funds.

All fund releases approved by the Committee shall be released directly to the implementing agencies.

SEC. 10. Designation of the Bureau of Treasury as Depository of the Trust Fund. Any law to the contrary notwithstanding, the Bureau of Treasury is hereby designated as the depository of the Trust Fund, which shall, (i) invest the Trust Fund in Philippine government securities; (ii) release funds directly to the implementing agencies upon the instruction of the Committee; (iii) account for the utilization and investment of the Trust Fund; and (ii) exercise the tasks, functions and duties determined and established by the Committee.

IV
Coconut Farmers and industry Trust Fund Committee
SEC. 11. Creation of the Coconut Farmers and Industry Trust Fund Committee. There is hereby created the Coconut Farmers and Industry Trust Fund Committee which shall be attached to the Office of the President.

The Committee shall have the following powers and functions:

1. Direct, supervise and coordinate the Implementation of the Coconut Farmers and Industry Development Plan;

2. Approve disbursements from the Trust Income and from the five percent (5%) of the initial capital of the Trust Principal;

3. Arrange for the transfer of the Coconut Levy Assets to the National Government and/or to the Privatization and Management Office for privatization or disposition;

4. Establish guidelines for the privatization or disposition of the Coconut Levy Assets by the PMO;

5. Approve or disapprove, on behalf of the National Government and without need of any further approval by, or other action from any other government institution or agency. The sale or disposition of the Coconut Levy Assets identified for disposition or privatization. in each case on terms and to purchasers recommended by the PMO: Provided, That neither the Committee itself, nor any of its members. shall undertake the marketing of any such assets, participate in the negotiation for their sale, or make the sale itself, nor yet bring about any situation which may give rise to a conflict of interest;

6. Exercise on behalf of the National Government all rights and incidents of ownership with respect to such assets, including the right to vote, whether directly or through duly authorized nominees shares of stock held in the name of the National Government;

7. Approve the financial requirements of the PMO in relation to its functions set forth in this Act, including its annual budget for operations management and disposition of the Coconut Levy Assets transferred and entrusted under its care; which shall not be more than three percent (3%) of the Trust Income of the preceding year;

8. Appoint, transfer, remove for cause, personnel of the Committee, and fix their remuneration in accordance with the Salary Standardization Law; and

9. Exercise such other incidental powers and functions as may be necessary to attain the objectives of this Act.

SEC. 12. Composition. The Committee shall be composed of the Secretary of Agriculture as Chairman, the Secretary of Finance as Vice-Chairman, the Director General of the National Economic and Development Authority, the Administrator of the Philippine Coconut Authority, and five (5) representatives from the coconut farmers sector.

The five (5) representatives from the coconut farmers sector shall be appointed by the President from a list of nominees, containing at least eight (8) names, submitted by the PCA, pursuant to a selection process under Section 24 of this Act. They shall each hold a term of three (3) years, and may be reappointed once. Any appointment to fill the vacancy in the
Committee arising from death, removal, retirement or resignation shall be made only for the unexpired term.

SEC. 13. Ex Officio Alternates. The ex officio members of the Committee may designate their respective alternates who shall be the officials next-in-rank to them and their acts shall be considered the acts of their principals.

SEC 14. Executive Director of the Committee. The President, upon recommendation of the Committee, shall appoint an Executive Director who shall have the following powers and functions:

(a) Execute, administer and implement the plans and programs approved or promulgated by the Committee;

(b) Direct and supervise officials, employees, representatives, and agents for the Committee;

(c) Prepare an annual report on the activities of the Committee at the close of each fiscal year and to submit a copy thereof to the President and Congress;

(d) Keep and maintain official records and reports of the proceedings of the Committee;

(e) Administer oaths in all matters falling within the jurisdiction of the Committee; and

(f) Exercise such other duties as may be vested by the Committee that are consistent with the provisions of this Act.

SEC. 15. Meetings. The Committee shall meet as frequently as may be necessary and expedient to discharge its responsibilities: Provided, That, it shall meet at least once a month.

The presence of at least a majority of the members of the Committee shall constitute a quorum, and the concurrence of a majority of the members present at a meeting at which a quorum exists shall be adequate for any decision by the Committee: Provided. That, where the matter involves the approval of (i) any disposition or privatization proposal involving more than Five Hundred Million Pesos (Php500,000,000.00); (ii) any proposed investment involving more than One Hundred Million Pesos (Php100,000,000.00); and (iii) the utilization of the Trust Income in amounts exceeding Fifty Million Pesos (Php50,000,000.00), the approval of at least a majority of the members of the Committee shall be required.

SEC. 16. Legal Counsel. The Secretary of Justice shall be the ex-officio adviser to the Committee on legal matters.

V

Coconut Farmers and Industry Development Plan

SEC. 17. Preparation of the Coconut Farmers and Industry Development Plan. - The National Economic and Development Authority, Department of Agriculture, Department of Agrarian Reform, Department of Trade and Industry, Department of Science and Technology, Department of Energy, Department of Public Works and Highways, Department
of the Interior and Local Government, and the National Anti-Poverty Commission are herein constituted as an ad-hoc committee that will prepare the "Coconut Farmers and Industry Development Plan," herein referred to as the "Plan." The Director General of the National Economic and Development Authority shall be the Chairman of the ad hoc committee. In the preparation of the Plan, the ad hoc committee shall consult with representatives of the coconut industry, including coconut farmers organizations.

The Plan shall set the directions and policies for the rehabilitation and development of the coconut industry.

In the formulation of the Plan, the Committee shall be guided by the following objectives:

(a) increased farm productivity and incomes of coconut farmers;

(b) establishment of coconut-based enterprises

(c) rehabilitation of the coconut industry towards global competitiveness; and

(d) poverty alleviation and social equity.

The Plan shall include a national program for (a) coconut productivity, including intercropping and livestock raising; (b) community-based coconut enterprises, including integrated processing of coconut products and downstream products; (c) coconut farmers organization and development; and (d) social protection that directly benefit coconut farmers and farm workers, such as, but not limited to, medical and/or health and life insurance services, educational scholarships for deserving students coming from families of coconut farmers, or beneficiaries of the Coconut Levy Funds. In case these social protection programs are not funded by an appropriations law or any other special law, or where funding is insufficient.

For the avoidance of doubt, programs relating to planting, replanting, fertilization, research and development, market promotion, farm-to-market roads, and direct lending, shall be funded through regular appropriations.

The Plan shall provide an indicative funding requirement or allocation for the implementation of any and all of the programs and projects to be funded by the Trust income, which funding or allocation shall be itemized or broken down on a project-to-project basis. Provided, That, (i) for projects which are recurring, or to be implemented on a regular basis, the allocation shall indicate the annual fund that may be required to implement said project; and (ii) for projects that are to be implemented or concluded within a period of time, the allocation shall indicate the total fund that may be required for the implementation of the whole project, itemized according to the phases or stages of said project.

Within one hundred eighty (180) days from the start of the effectivity of this Act, the Plan shall be submitted to the President, through the Committee, for approval. Thereafter, the Committee shall approve the disbursements of funds in accordance with the provisions of this Act.

Any amendment to the Plan shall require the approval of the President.
VI
Privatization of the Coconut Levy Assets

SEC. 18. Privatization of the Coconut Levy Assets. To increase the benefits that can be provided to the coconut farmers and enhance the development of the coconut industry, all Coconut Levy Assets transferred to the Privatization and Management Office shall be privatized or disposed within five (5) years from the effectivity of this Act.

SEC. 19. Additional Mandate of the Privatization and Management Office (PMO). In addition to its powers, duties and functions under Executive Order No. 323 dated December 6, 2000, the PMO, shall, for and in behalf of the National Government, take title to and possession of, conserve, provisionally manage, and dispose of the Coco Levy Assets.

In the discharge of its mandate, the PMO is hereby empowered to (i) formulate and implement the marketing and disposition program of the Coco Levy Assets; (ii) execute and deliver, on behalf of the National Government, deeds of sale, contracts, trust instruments, and other legally operative documents as may be necessary or appropriate to convey title to, take possession of, and conserve, such assets; (iii) engage external expertise as may be necessary in the fulfillment of its tasks under this Act; and (iv) adopt internal rules and regulations in relation to the marketing and disposition of the Coconut Levy Assets.

Any and all sales and other modes of privatization or disposition shall not be considered final unless and until approved by the Committee.

SEC. 20. Powers of the Privatization and Management Office. The PMO shall prepare the privatization plans and policies of the Coconut Levy Assets transferred to it. It is empowered to enter into sales through public bidding, negotiated sale, lease, or any form of divestment or transmission of rights over the Coconut Levy Assets, including a partnership with the private sector in the management or operation of these Coconut Levy Assets prior to actual sale or disposition.

Prior to the implementation of any privatization plan, the PMO shall have the following powers:

(i) require anyone or more of the subject corporations to adopt and implement cost-reduction measures to enhance the viability, and therefore the disposability of such corporations, to potential buyers, including measures requiring personnel retrenchment plans or other forms of corporate downsizing;
(ii) direct anyone or all of the subject corporations to submit to the PMO, within fixed time-tables, such reports and information as the PMO may require in the exercise of its ownership, administrative, and disposition over such corporations or their assets; and
(iii) cause the subject corporations to undergo merger, consolidation, spin-off, or other corporate acts of reformatory nature as it may deem necessary or desirable to expedite the disposition and privatization under this Act.

In all such cases, no corporate measure shall be implemented without the approval of the Committee.
Nothing herein shall be construed as authorizing the Committee or the PMO to rehabilitate, or allow reinvestments of, any and all Coconut Levy Assets transferred to the National Government.

SEC. 21. Committee to Determine Transfer Value. The Committee is hereby vested with full and complete powers and prerogatives to determine transfer values and related valuations at which the Coconut Levy Assets shall be transferred and conveyed to the PMO pursuant to the mandate of this Act and upon reasonable consultation with the COA or a third-party appraiser: Provided, That any valuation approved by the Committee for purposes of the transfer to the PMO shall not be deemed a condonation, waiver, or extinguishment of any obligation by any third party whose vested rights may be impaired by such transfer.

SEC. 22. Remittance of Proceeds of Privatization. Any provision of law to the contrary notwithstanding, all proceeds or receipts from the sale of Coconut Levy Assets, except portions thereof for reimbursable custodianship and operational expenses or such amount approved by the Committee to be retained by the PMO, shall be remitted directly to the Trust Fund.

SEC. 23. Reporting Requirements. The Committee shall, on a semi-annual basis, submit to the President and to Congress a report on the status of disposition of the Coconut Levy Assets, which shall include, among others, a description of the individual assets disposed of, their purchasers thereof, the consideration received therefore, and the agreed terms of payment.

The PMO shall, within three (3) months following the closure of books at the end of each fiscal year, submit a comprehensive annual report duly approved or endorsed by the Committee, to the President and Congress on the status of its privatization efforts and its disposition program for the Coconut Levy Assets, which shall include the items described in the immediately preceding paragraph.

VII
Miscellaneous

SEC. 24. Selection of Representatives of the Coconut Farmers Sector. - Within thirty (30) days following the effectivity of this Act, the PCA shall promulgate a selection process of nominees as representatives of the coconut farmers sector in the Committee. The nominees shall be validated and shortlisted from the coconut farmers registry of the PCA: Provided. That the PCA shall first complete its coconut farmers registry before the selection process can commence. The list of nominees shall be submitted to the President not later than sixty (60) days from the start of the selection process.

SEC. 26. Philippine Coconut Authority Budget - The Philippine Coconut Authority shall continue with its regular programs and projects as stated in its mandate and shall be funded by the General Appropriations Act which shall not be less than Five Billion (Php5,000,000,000.00) Pesos annually. The yearly appropriation shall be distributed as follows:

(i) Infrastructure Support 30%
(ii) Planting, replanting, fertilization and development of seedling nurseries 20%
(iii) Shared facilities program for coconut farmers 12.5%
(iv) Agribusiness ventures and market development 15%
(v) Research and Development 10%
(vi) Operations and Regulatory 12.5%

No appropriations from this Act shall in any way be in lieu thereof.

SEC. 27. Implementing Rules and Regulations. Within ninety (90) days from the date of effectivity of this Act, the Committee, in consultation with the PMO, shall formulate and promulgate the rules and regulations for the proper implementation of this Act.

SEC. 28. Congressional Oversight - The Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFM) shall exercise oversight on the implementation of this Act.

SEC. 29. Separability Clause. If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected by such declaration shall remain in full force and effect.

SEC. 30. Repealing and Amendatory Clause. All laws, executive, and administrative orders, rules and regulations inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 31. Effectivity Clause. This Act shall take effect fifteen (15) days after 5 its complete publication in the Official Gazette or in two (2) newspapers of general circulation. Approved,